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December 4, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT TO THE CITY ANNEXATIONS AND
SPHERES OF INFLUENCE POLICY (POLICY NO. 3.095)
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the amendment to the City Annexations and Spheres of Influence Policy that is intended to guide the County's review and response to annexation and sphere of influence proposals pursued by cities.
2. Instruct the Chief Executive Officer and other County departments, as appropriate, to implement the amended Board Policy effective immediately.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Your Board adopted the Policy on May 13, 2003 with a Sunset Review Date of May 13, 2007. During the sunset review process, it was determined that amendments were necessary to provide further guidance to the Chief Executive Office (CEO) and County departments when negotiating proposed city annexation and sphere of influence proposals.

Implementation of the amended Policy is contingent upon your Board's approval.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

The amendments provide additional guidelines related to the following Sections of the Policy:

Section B. 3: Regional Housing Needs Assessments Allocations

This Policy amendment will allow the County to negotiate agreements with any city proposing to annex unincorporated territory to transfer Regional Housing Needs Assessments (RHNA) allocations from the County to the annexing city. Currently, transfers of housing units to annexing cities are not part of the annexation process. Therefore, annexations occur without the corresponding transfer of the County's share of housing units to the annexing city and the County is still responsible for the planning of such housing units. By formalizing a process by which such transfers are negotiated concurrently with city annexations, the County's responsibility for its fair share of housing units will be more accurately reflected. The amended Policy will also allow the County to oppose an annexation if a city does not accept the RHNA allocation of housing units associated with the land area to be annexed by the city.

Section B. 5: Annexations that Conflict with the County's Land Use Policy

This Policy amendment allows the County to oppose annexations that would result in patterns of development that conflict with the County's land use plans and policies and/or would negatively impact adjacent unincorporated areas.

Section C. 2: Unincorporated Area Islands Annexations

This Policy amendment will preclude a city from annexing only part of an unincorporated area island, if such an annexation would make it difficult for the County to provide services to the remaining area. Further, partial annexation of an "unincorporated island" may create illogical boundaries and may further fragment an unincorporated community or area.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we provide Organizational Effectiveness (Goal 3) by appropriately evaluating city annexations. In addition, this action is consistent with Fiscal Responsibility (Goal 4) by providing opportunities to maximize the long-term fiscal benefits to the County.

FISCAL IMPACT/FINANCING

Adoption of the amended Policy will not have a direct fiscal impact on current services; however, implementation of the amended Policy will help ensure the County considers opportunities to maximize the potential long-term benefits of annexation and minimize the operational and fiscal impact inherent in certain annexation proposals. Since the amended Policy will also allow the County to transfer an appropriate share of the RHNA allocations to an annexing city, the Department of Regional Planning would not have to expend staffing resources to plan for the housing capacity that would be transferred to an annexing city.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Your Board established the current Policy in May 2003 to provide: (1) a process for the review and consideration of proposed annexation and sphere of influence proposals; (2) guidance to County staff in the evaluation of these proposals; and (3) opportunities to negotiate with each city to determine the fiscal, social, geographic, environmental, operational, and land use impacts on affected unincorporated communities and the County of Los Angeles.

Cities within the County were given an opportunity to provide input on the amended Policy during the review process. The draft amended Policy was provided to the Councils of Governments (COGs) representing various cities in the County and individually to cities that are not represented by a COG. Only the San Gabriel Valley COG and the City of Los Angeles provided input. Based upon the input from both the City of Los Angeles and the San Gabriel Valley COG, the proposed amendments were further refined to address both agencies' concerns with the proposed amendments.

As required by your Board, County policy revisions other than an extension of the Sunset Review Date must be presented to, and approved by the Audit Committee. The CEO presented the Policy amendments to the Audit Committee and received final approval on September 20, 2007.

The amended Policy was reviewed by County Counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the amended Policy will not have a direct impact on current services. However, implementation of the proposed amended Policy will help ensure that the County: (1) appropriately evaluates city annexations to determine the fiscal, social, geographic, environmental, and land use impacts to affected unincorporated communities and the County; and (2) consider opportunities to maximize the potential long-term benefits of annexations and minimize negative impacts to the County and its residents.

CONCLUSION

Adoption of the amended Policy by your Board will provide further guidance on city annexation and sphere of influence proposals.

Upon adoption of the amended Policy, the CEO will provide a copy to each city in the County.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:LS:DSP
MJS:os

Attachment (1)

c: County Counsel
Auditor-Controller
Director of Regional Planning



Los Angeles County **BOARD OF SUPERVISORS POLICY MANUAL**

Policy #:	Title:	Effective Date:
3.095	City Annexations and Spheres of Influence	05/13/03

PURPOSE

Establish policies for the review and consideration of city annexation proposals and for the establishment and updating of city spheres of influence by the Local Agency Formation Commission, which determine where future annexations are likely to occur.

The County of Los Angeles supports the concept that urbanizing areas should have the option to attain municipal status through annexation, if so desired by area residents and not in conflict with County interests. Recognize that Los Angeles County is generally an urban county with a diverse population and a variety of communities, lifestyles and interests, and that unincorporated area residents may also chose to remain unincorporated under County government and not become part of a city.

In recognition of the population diversity and variation between unincorporated communities, the County will review and evaluate each city annexation proposal or sphere of influence amendment on a case-by-case basis and negotiate with each city in good faith as needed, under the guidance of this policy to determine its fiscal, social, geographic, environmental and/or operational impacts on the affected unincorporated community(s) and the County of Los Angeles. Furthermore, it is County policy to provide assistance to residents of unincorporated areas in determining their preferred government structure alternatives.

Finally, while many unincorporated communities reflect distinct, mature, and cohesive identities; other areas are characterized as "islands" created as a result of historical incorporations and annexations. Providing municipal services may involve sending County staff across neighboring cities to respond to community needs. Ensuring the most cost-effective and responsive services to these areas may involve exploring such vehicles as contracts with surrounding/neighboring cities or expanding County services via contract to address the needs of a larger area.

REFERENCE

Government Code Section 56000, et seq., Revenue and Taxation Code Section 99

POLICY

Background:

- A. There are three general categories of local government services:
1. Regional Services are services provided by the County at a standard level to all County residents and properties. Regional services include public health, welfare and social service programs, the criminal justice system, property assessment, tax collection, voter registration and many others.
 2. Basic Services are available countywide but are provided by cities, either directly or through contract, within their corporate boundaries, and by the County in unincorporated areas. Basic services include law enforcement, road maintenance, animal control, land use planning, zoning and building inspection and others. Although service levels may differ between jurisdictions, all cities and the County provide at least a basic level of these services.
 3. Extended Services may be either additional, non-basic types of services or a higher level of a basic service. Extended services are provided either by cities or special districts. The County generally does not provide extended services out of general tax revenue, but can administer dependent taxing districts (e.g., assessment and benefit districts) to support extended services.
- B. Traditionally, cities have been incorporated, or their boundaries expanded, to encompass additional areas because residents and/or property owners have desired improved, extended services.
- C. Pursuant to State Revenue and Taxation Code Section 99, the County Board of Supervisors is responsible for negotiating property tax exchange resolutions with any city proposing to annex unincorporated territory. The County may also enter into a master property tax exchange agreement with other local agencies within the County to provide for a formula for determining property tax exchanges.
- D. Heretofore, the Los Angeles County Board of Supervisors has not adopted a formal policy regarding city annexations. Nor has the Board adopted a master property tax exchange formula. However, an informal formula negotiated by the Chief Executive Office and the Los Angeles League of Cities has been historically used.

Policies:

A. General Policies

1. The County encourages development of unincorporated areas in a manner that permits their assimilation into adjacent cities, should area residents desire annexation.
2. The County supports revenue allocations that equitably reflect the County's regional responsibilities, as well as the responsibilities of the County, cities and special districts for basic and extended services.
3. In implementing this Policy, the County may encourage or discourage all or a part of specific annexations or spheres of influence proposals based upon the impact on an unincorporated community's sense of identity, revenue base, land use planning and pattern of development, and/or impact on County-initiated programs to improve services and infrastructure in the area, so as to avoid premature annexations that may prejudice more favorable long-term government structures.
4. The County Board of Supervisors supports the concept of providing positive options to residents of unincorporated communities who desire a higher level of service, but prefer to remain unincorporated. Such options may include the use of assessment districts, the County budget process, local revitalization programs, contracts with neighboring cities, special planning standards or other mechanisms, as needed, subject to Board approval, and in most cases, subject to the approval of the affected communities.
5. Based upon the above policies, the County Board of Supervisors has determined that it is in the best interest of the County's unincorporated communities to review annexation proposals on a case-by-case basis rather than to adopt master agreements or formulas relating to the allocation and/or exchange of revenues between the County and affected cities.

B. Annexation Policies

1. The County will oppose annexations that carve up or fragment an unincorporated community that has a strong sense of identity.
2. The County will oppose annexations of commercial or industrial areas that have a significant negative impact on the County's provision of services, unless the annexing city provides financial or other mitigation satisfactory to the County.

3. The County will seek to negotiate agreements with any city proposing to annex unincorporated territory to appropriately transfer Southern California Association of Governments (SCAG) Regional Housing Needs Assessment (RHNA) allocations from the unincorporated area to an annexing city. The County will oppose annexations with any city that does not accept the SCAG RHNA allocation associated with the land area to be annexed.
4. Annexations that include areas where the County has established revitalization efforts and/or has committed significant resources for the benefit of the unincorporated community will be reviewed to determine the impact on the County program(s) and may be opposed if the annexation will adversely impact the County program(s).
5. The County may oppose annexations that would result in patterns of development that conflict with the County's land use plans and policies and/or would negatively impact (as defined for each specific annexation) adjacent unincorporated areas.
6. The County will review annexation proposals to ensure that streets or other County local facilities that serve the annexing area are included so that the city assumes responsibility for maintaining these public facilities. When streets are the demarcation between jurisdictions, the City boundary should be to the centerline of the streets that form the boundary of their jurisdiction.
7. The cumulative impact of past city annexations on the County generally, and the affected unincorporated community specifically, will be considered by the Board of Supervisors.
8. The Board of Supervisors requests that any city initiating an annexation demonstrate support for the annexation by the affected landowners for uninhabited territory or registered voters for inhabited territory.

C. Unincorporated "Islands" Policies

1. The Board of Supervisors directs its staff to develop and maintain an inventory of unincorporated islands in urbanized areas that do not include residents or businesses, but consist of County roads, streets, flood channels or other public purpose lands and facilities. These island areas should be considered for annexation to adjacent cities.
2. The County will oppose annexations that involve only part of an unincorporated area island, if such an annexation would make it financially difficult for County departments to provide services to the remaining area. In addition, in order to create logical boundaries and improve service delivery

to certain unincorporated area islands, the County will work with residents, property owners and the community to explore appropriate island annexation strategies for these areas.

3. The County will periodically conduct "make-buy-sell-annex" assessments regarding the most cost-effective, responsive and community-desired manner in which municipal services are delivered to unincorporated "island" communities.
4. These assessments will examine whether services could be provided more effectively by neighboring cities via contracts with the County or if County services could be expanded to other surrounding communities to achieve economies of scale. Formal annexation to a neighboring city will also be reviewed where relevant.
5. The desires and preferences of the residents of the affected "island" community will be a guiding factor in developing recommendations. As appropriate, residents will be provided with service comparison and related information regarding the potential annexation to a neighboring city.

D. Sphere of Influence Policies

1. The County Board of Supervisors supports the intent of Government Code Section 56425, *et seq.*, and will work with LAFCO and all of the cities of the County to review and update city spheres of influence according to its provisions which provide a process for negotiating agreements between the County and each city on sphere updates.
2. The County will include the above-stated policies as a component of the negotiating process for spheres of influence and may oppose any sphere of influence proposal that is inconsistent with those policies.

RESPONSIBLE DEPARTMENT

Chief Executive Office

DATE ISSUED/SUNSET DATE

Issue Date: May 13, 2003

Revised 8/20/07:mjs

Sunset Date: 5/10/2011